

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEA-02 OMB-01

SWF-02 DRC-01 IO-14 /194 W
----- 042838

R 111000Z APR 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8256

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, GATT, EC, FR

SUBJECT: "CHICKEN WAR" REVISITED: A FRENCH EXPLANATION

1. BRUNET, DIRECTOR OF ECONOMIC AFFAIRS, MFA, HAS GIVEN
ECON/COM MIN FURTHER EXPLANATION OF FRENCH DECISION TO
SEEK RESCINDING OF "CHICKEN WAR" DUTY INCREASES IN
CONNECTION WITH SETTLEMENT OF ARTICLE 24:6 PROBLEM.

BRUNET SAID THE IDEA OF SEEKING A SETTLEMENT OF THE TWO
PROBLEMS AT THE SAME TIME WAS HIS. ONE CONSIDERATION

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WHICH HAD LED HIM TO MAKE THE SUGGESTION WAS THE THOUGHT

THAT IT MADE SENSE TO TRY TO WIPE THE SLATE CLEAN ON ALL OUTSTANDING TRADE ISSUES. A MORE IMPORTANT CONSIDERATION WAS THAT SETTling THIS ISSUE TOGETHER WITH THE ARTICLE 24:6 PROBLEM WOULD MAKE THE ARTICLE 24:6 SETTLEMENT MORE SALEABLE IN FRANCE. IT WAS THE GENERAL OPINION IN FRANCE THAT THE EC OWED THE U.S. NOTHING AS A RESULT OF ENLARGEMENT. CONSEQUENTLY, IF THE EC MADE AN OFFER OF COMPENSATION UNDER PRESSURE FROM THE U.S., THIS WOULD BE INTERPRETED, AND CRITICIZED, AS A UNILATERAL CONCESSION TO THE U.S. BY PUTTING SOMETHING INTO THE PACKAGE FOR THE FRENCH, THIS POTENTIAL CRITICISM COULD BE NEGATED. BRUNET SAID HE HAD GOT THE AGREEMENT OF THE INTERESTED FRENCH MINISTERS FOR HIS PROPOSAL BUT THAT WORKING LEVEL OFFICIALS IN SOME OF THE OTHER MINISTRIES WERE SAYING THAT THE PROPOSAL WAS UNWORKABLE.

2. ECON/COM MIN ASKED WHETHER GOF INTENDED TO MAKE ITS ACQUIESCENCE IN AN IMPROVED EC OFFER ON ARTICLE 24:6 CONDITIONAL ON OUR RESCINDING OF DUTY INCREASES ON FRENCH COGNAC AND OTHER "CHICKEN WAR" RETALIATORY INCREASES. BRUNET REPLIED IN THE NEGATIVE. BRINGING UP THE "CHICKEN WAR," HE SAID WAS AN IDEA WHICH THE GOF THOUGHT WAS WORTH A TRY AND HE HOPED WE WOULD ACCEPT THE PROPOSAL. BUT, IF IT PROVED IMPOSSIBLE TO WORK IT OUT, THIS WOULD NOT AFFECT THE GOF DECISION ON ARTICLE 24:6. INDEED, FRANCE'S EC PARTNERS WOULD NOT ALLOW HER TO POSE SUCH A CONDITION.

3. ECON/COM MIN AGAIN ASKED BRUNET WHETHER GOF WAS PREPARED TO SUPPORT A REMOVAL OF THE RESTRICTIONS ON CHICKEN IMPORTS WHICH HAD LED TO THE RETALIATORY DUTY INCREASES. BRUNET REPLIED THAT THEY WERE, OF COURSE, PREPARED TO CONSIDER THIS ALTHOUGH HE WONDERED WHETHER CIRCUMSTANCES HAD NOT CHANGED SO MUCH SINCE 1964 THAT SUCH ACTION ON THE PART OF THE EC WAS NO LONGER NECESSARY.

4. ALTHOUGH BRUNET AT FIRST SPOKE OF RESCINDING COGNAC DUTY INCREASES, HE LATER SUGGESTED MODIFYING DECISION TO TAKE ACCOUNT OF PRICE INCREASES WHICH HAVE OCCURRED LIMITED OFFICIAL USE

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SINCE 1964. PRESUMABLY HE MEANS RAISING PRESENT \$9 A

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GALLON CUTOFF POINT TO A LEVEL WHICH WOULD INSURE THAT THE SAME PROPORTION OF EXPORTS WOULD BE AFFECTED AS AT THE TIME OF THE ORIGINAL DECISION. (AT THAT TIME, ONLY 20 PERCENT OF FRENCH COGNAC EXPORTS WERE PRICED AT OVER \$9 A GALLON. TODAY THE PERCENTAGE WOULD BE MUCH HIGHER - IT WAS ALREADY 80 PERCENT IN 1970.) THIS IS PRESUMABLY WHAT DE MOREL WAS TRYING TO SAY IN CONVERSATION REPORTED PARIS 8840. SUCH A MODIFICATION WOULD PRESUMABLY NOT
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NECESSITATE EC'S TAKING ANY ACTION ON CHICKEN DUTIES.

5. COMMENT: WE ARE NOT IN ANY POSITION TO JUDGE HOW DIFFICULT IT WOULD BE FOR US TO TAKE ACTION ON "CHICKEN WAR" DUTY INCREASES. GIVEN WHAT BRUNET HAS SAID, IF WE FIND IT IMPOSSIBLE TO ACCEPT THE FRENCH PROPOSAL, THIS WOULD NOT NECESSARILY QUEER WHATEVER ARTICLE 24:6 DEAL IS SHAPING UP. ON THE OTHER HAND, IF WE CAN FIND IT POSSIBLE TO MODIFY THE INCREASES OR RESCIND THEM ON A RECIPROCAL BASIS, THIS WOULD UNDOUBTEDLY MAKE A SETTLEMENT OF THE ARTICLE 24:6 PROBLEM EASIER TO ACHIEVE, SINCE IT WOULD GIVE GOF STRONG INCENTIVE FOR BEING FLEXIBLE, AND WE WOULD RECOMMEND DOING IT.
IRWIN

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